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Operator: Ladies and gentlemen, thank you for standing by and welcome to the Orica Update Conference Call. At this time all participants are in a listen only mode. After the speaker's presentation there will be a question and answer session. To ask a question during this session you will need to press star one on your telephone. Please be advised that today's conference is being recorded. I would now like to hand the conference over to your first speaker today, Delphine Cassidy. Thank you, please go ahead.

Delphine Cassidy: Good morning ladies and gentlemen. Thank you for joining us today. Before I hand over to Alberto and Chris, I just need to read out a disclaimer given the nature of the transaction. Due to legal restrictions we are unable to discuss details around the equity raising other than the basic terms referred to in the presentation that we lodged. Please refrain from asking questions about the specific details of the equity raising as we are legally restricted from answering those on this call. We anticipate making a further announcement with respect to the equity raising in accordance with our continuous disclosure obligations in due course.

Thank you. I will hand over to Alberto.

Alberto Calderon: Good morning everyone. Thank you for joining us on what is a very exciting day for Orica. Joining me on the call is Chris Davis, our Chief Financial Officer. Hopefully you should all have a copy of our ASX announcement and acompanying presentation deck, both of which can be found on the ASX website. On pages 2 and 3 is our disclaimer.

Moving to slide 4 which lays out the four sections of today's presentation. First, I will run through the key points of the transaction. Then I will go into more detail about the acquisition. We will show how this aligns with our broader corporate strategy and give you our thoughts on the current outlook and then Chris will go into the details of the equity raising. We are happy to take questions at the end. There's a lot more information contained in the appendices which I encourage you to read and we are of course happy to answer any questions that you may have in the coming days.

Okay, into the first section at slide 6 which contains a transaction overview.

Slide 6. Today Orica has announced that we have reached an agreement to acquire Exsa, Peru's leading manufacturer and distributor of industrial explosives. As we will show you in this presentation, this is a transformative acquisition for Orica in the high growth Latin American region. Exsa, which is listed on the Peruvian Stock Exchange, is majority owned by Grupo Breca, or simply Breca.

Earlier this morning we signed an agreement to acquire Breca's entire 83.5% shareholding. We expect to complete the transaction by May 2020. Once that is done, we will launch tender offers for the remaining 16.5% of shares and delist Exsa. We expect strong acceptance from the remaining shareholders and hope to conclude the process by the end of this calendar year.

The total acquisition price on a debt free, cash free basis for 100% of Exsa is US$203 million, which is approximately A$302 million. To fund the acquisition, we have also announced this morning a two-part equity raise. We will raise A$500 million through a fully underwritten institutional placement and up to A$100 million more through a non-underwritten share purchases plan which is open to eligible Orica shareholders.

This raise will enable us to acquire Exsa on a debt free, cash free basis. It will strengthen our balance sheet and provide us with increased flexibility to support further investment in our core capital initiatives and growth engines. The acquisition and placement is expected to be EPS neutral in the first full year of ownership and EPS accretive thereafter. We are today affirming our guidance for the 2020 financial year which we provided at our full year results last November.

Moving now to slide 7 which details the strategic thinking behind the acquisition. With the acquisition of Exsa we are acquiring the number one player in the Peruvian market. Exsa currently has the largest share of both open pit and underground markets in the country, predominantly in gold and copper mining with material movement expected to grow at around 4% per annum. The Company offers a range of 27 products from ammonium nitrate fuel oil to Pentolite boosters and detonators. It is supported by an efficient supply chain, a comprehensive sales distribution network and its assets are strategically located.

Exsa has posted strong financial performance in fiscal year 2019 with a statutory EBITDA of approximately US$22 million, which we estimate normalises to approximately US$18 million after one off adjustments. Central to the acquisition is Exsa's new initiating systems manufacturing facility at Lurin, Peru. Not only does it utilise state of the art technology, but it is considerably underutilised. The facility currently manufactures around 11 million caps per year, but we are confident that with no CapEx, this can be increased to around 55 million caps per year, which will deliver an estimated net cost savings of around US$0.12 per cap, towards north - close to US$7 million.

We also see further potential to increase capacity to approximately 70 million caps per year, which is enough to serve Orica demand across the entire Americas. As you can see, this is a game changer for our operations in the region and indeed for our entire global initiating systems footprint. Furthermore, the Lurin facility integrates the manufacture of almost every component of a detonator on site, meaning that we don't have to source them externally which will deliver significant efficiencies to Orica's local supply chain.

Once Exsa's assets are fully integrated into Orica's operation, we expect to realise significant synergies. By the third full year of ownership we anticipate run rate synergies of around US$18 million each year. These savings will come predominantly from material manufacturing synergies and reduce supply chain costs by improving excess supply chain and optimising the combined IS production. As I just mentioned, we can quickly deliver an estimated cost saving of around US$0.12 per cap, which after increasing production will reduce cap costs right across the Americas.

We also see synergies from streamlining Exsa's structure and improving its systems. With the acquisition to be fully completed by the end of this calendar year, full run rate synergies are expected to be achieved by the third full year of ownership. We estimate that half of the synergies can be realised with no CapEx and the rest with minimal CapEx. In total approximately US$20 million capital expenditure will be required to realise the full synergies and we will put in place an integration team and governance structure to ensure successful integration like we did with GroundProbe.

When you put it all together this is a terrific value add transaction for Orica. It equates to an attractive proforma acquisition multiple of 7 times fiscal year 2019 EBITDA on a post-synergy basis and 13.9 times fiscal year 2019 EBITDA on a pre-synergy basis. We expect mid-teens return on net assets based on those run rate synergies being achieved by the third full year of ownership.

Consistent with our strategic drivers the integration of Exsa into Orica will build on a strong foundation in Latin America and will strengthen our entire global initiating system manufacturing footprint. The acquisition will increase our exposure to the attractive copper and gold commodities and also reduce our overall exposure to thermal coal by 2% by 2023.

Turning now to slide 8 which shows how the acquisition and capital raising supports our core strategy and growth engines. So 2% means from 17%, which is the thermal coal exposure to date, to 15% in around 2023.

Slide 8. On the left of the slide is a simple graphic that shows our four global regions, each focused on our core business and growth engines. To reiterate, this acquisition supports our core growth strategy by building upon our strong Latin American footprint, strengthening our manufacturing in the region, enhancing our network capabilities and realising opportunities to deliver savings through synergies and increasing our exposure to copper and gold markets.

In addition the acquisition supports our strategy to accelerate our high-growth engines by expanding our potential customer reach of our world-class technology and services products. Supporting our existing suite of best-in-class products with a strong pipeline.

The capital raised will support future investment in our core capital initiatives and provide us with great balance sheet flexibility to pursue investment and acquisition opportunities to expand our technology platform as we have successfully done with GroundProbe.

Now we move to the second section of our presentation in which we will go into more detail on the acquisition.

Slide 10. Turning to Slide 10 you will see the strong footprint that Orica already has in Latin America that we will be building upon with this acquisition. In the last financial year Latin America delivered around 15% of our total global revenue. Within that, Peru made up just under one-third, and it is probably one of our fastest growing markets in the region.

Looking at volumes, Latin America is responsible for 18% of our global production of ammonium nitrate and 17% of electronic blasting systems. Peru being responsible for around one-third of both within the region. We have a strong technology portfolio in the country to meet the varied needs of what is a highly complex and pro-technology market. We are the largest buyer of ammonium nitrate in the country, giving us flexibility on sourcing. We have a fully integrated value proposition, including GroundProbe.

Next on Slide 11 you will see an overview of the Peruvian market. The country has a wealth of mineral resources with mining contribution around 10% of the country's GDP and 60% of its exports. It is one of the top 10 mineral rich countries in the world. As you can see in the bullet points, it holds a large percentage of the world's known reserves of key metals.

Peru has over 200 operating mines and draws large foreign investment from China, US, Canada and Australia. Not least because the country's supportive investment and mining laws present low sovereign risk to international investors. On the right is a graph that highlights research from last year that predicts material movement of iron ore, gold and copper which show compound annual growth in excess of 4% over the next five years.

Moving now to Slide 12, which outlines how the acquisition will strengthen our existing Latin American footprint. Just to recap on Exsa, it is the clear market leader in the production and in distribution of industrial explosives in Peru and provides technical assistance and support to the mining and infrastructure industries. It has a significant share in the Peruvian underground and open pit markets and is well leveraged to gold and copper mining operations.

Both these commodities which generated around 85% of Exsa's revenue in fiscal year '18 have strong fundamental outlooks. The Company offers a wide range of products supported by an efficient supply chain, a comprehensive sales distribution network and strategically located assets. Its world-class initiating systems plant is held under a long-term lease. Critically, the facility is significantly underutilised, which we will detail shortly.

As you know, safety is and always will be our number one priority at Orica. So we have been very reassured through our due diligence to see a strong focus in this area right across Exsa.

On the right side of Slide 12 you can see a breakdown of Exsa's current revenue, with over half coming from bulk emulsion and ammonium nitrate. Total volume of AN is showing healthy growth, while earnings are strong. You will note that in 2018 several one-off accounting policy adjustments were made which affected statutory EBITDA.

On Slide 13 you will see a map of Peru and the location of Exsa's operations. The initiating systems plant is located in Lurin, which is about 50 kilometres south of Peru's capital Lima. Currently in ramp-up, and that’s an important point, the plant allows Exsa to manufacture in-house most of the initiating systems it commercialises today, including caps, shock tube, Pentolite boosters, detonating cord and non-electric detonators.

I think it is important to note that the Lurin plant uses innovative Green Tech technology that avoids the use of lead azide in caps and detonators. Integrating Lurin into Orica's global network will enable us to create a much simplified Americas network without the cost and risk of greenfield development.

Furthermore we will derive synergies by in-sourcing a number of key components that we currently support to competitors and third parties. The latent capacity of Lurin's highly efficient facility will allow us to centralise our operations, creating a much more efficient network.

Onto Slide 14, which contains a breakdown of the current underutilisation of the Lurin plant. As you can see, the plant has latent capacity across all key components, offering significant synergies to us. We believe production can be increased with almost no additional CapEx, including caps from 11 million per year to 55 million per year. Non-electric detonators from just under 7 million per year to 18 million, and boosters from 0.6 million to 1.8 million.

Looking more broadly across the whole of Peru, we believe this acquisition presents high synergy across both AN production and there is potential to double production of bulk emulsion. As mentioned earlier, the key synergy here is the potential to increase cap productions from 11 million to 55 million per year, which will deliver estimated cost savings of approximately US$0.12 per cap.

We are confident that with a modest outlay of US$6 million in CapEx we can expand capacity up to 70 million caps per year. Delivering even greater value that is not captured in the US$18 million.

On Slide 15 we give more detail around the US$18 million in annual run rate synergies I talked about earlier. Which we believe will be achievable by the third full year of ownership with a CapEx investment of approximately US$20 million. Just to clarify, CapEx is only needed to deliver roughly half of these synergies. Around three-quarters of these synergies will come from material manufacturing and reduced supply chain costs.

Synergies in the material manufacturing will come from

- the latent capacity of the Lurin facility, access to a new packaged emulsion manufacturing site to replace third-party volumes
- consolidation of Orica and Exsa's central Peru ammonium nitrate emulsion operations
- material savings as a result of increased efficiencies across our Latin American

business that can be realised at Lurin as a result of new technology and operational synergies at the site

Synergies in reduced supply chain costs will come from the optimisation of the local AN supply chain, including access to bulk import facilities and by the in-sourcing of current Orica third-party volumes for various initiating systems products. Additional run rates will come from streamlining operational systems, including the removal of duplicated corporate functions and reducing information systems costs.

While we have not included it in our forecast, we do anticipate there will be significant cross-selling opportunities for us to introduce Orica's technology products and services to Exsa's broad customer base.

Now we move to the third section of our presentation, our growth strategy and outlook. On Slide 17 you will see an overview of our strategy approach, which marries a continuous assessment of growth opportunities in both our core capital and high-growth engines. We will continue to explore M&A activity, such as today's announcement, that supports our existing core markets.

We will expand our existing products into new applications and commodities, for example, the way we have expanded WebGen from underground to surface applications. We will continue to optimise our existing product line, as we are currently doing with WebGen 200. We will continue product development in both ore extraction and monitoring measurement access across such products as BlastIQ and Bulkmaster7.

We will seek opportunities to supplement out customer offerings with technology capabilities, including GroundProbe. We will invest in key upgrades of our systems, processes and product lines, with our current SAP project and SKU rationalisation programs being familiar to all of you.

Slide 18. Moving now to Slide 18 and our fiscal year '20 guidance. Following the recent cyclone that hit Karratha and our Burrup plant directly, and I mean directly. The eye of the storm passed right through the middle of our plant. We were happy to know that all of our people were safe and that the plant and the major equipment withstood the strong winds very well, but has slightly delayed the project timeline.

While this has meant a delay in the start-up of the plant from the beginning of April to the end of April 2020, we do expect a positive EBIT contribution in the second half and subsequent years. Aside from that all other key assumptions for the 2020 financial year remain unchanged from the guidance we provided to the market at our full year financial results last November.

Now I will hand over to Chris to run you through the equity raising.

Christopher Davis: Thanks Alberto. As Alberto mentioned earlier, the acquisition of Exsa will be funded through a capital raising comprising a fully underwritten institutional share placement of A$500 million. The number of new shares issued is expected to represent approximately 6.2% of the total Orica shares at a price of A$21.19 per share. This represents a discount of 5.4% to the five-day volume weighted average price on 18 February 2020.

The institutional placement will be open to existing and potentially new eligible institutional shareholders. We will also conduct a non-underwritten share purchase plan, capped at AU$100 million, to facilitate participation in the capital raising for our eligible retail shareholders.

Looking at the next slide, Sources and Uses of Cash. Approximately 70% of the funds raised through the institutional placement will be used towards the acquisition of Exsa, the resulting short-term capital expenditure requirements to deliver the synergies, and towards associated transaction costs.

Any remaining funds together with the proceeds from the non-underwritten share purchase plan will provide flexibility in our balance sheet to support Orica's core capital initiatives that are currently underway. More importantly allow for future investment in our growth engines. This will enable us to move quickly on opportunities that arise with funding certainty, whilst ensuring our investment grade credit rating is maintained.

Importantly we will only pursue opportunities which support our core or high-growth engines where the asset base, market dynamics and financial returns justify further investment. We will continue to be highly disciplined in how this capital is allocated.

Going forward the ongoing capital expenditure requirements of Exsa are expected to be approximately US$10 million per annum.

Turning to the pro forma balance sheet. After adjusting Orica's 2019 financial year balance sheet for the adoption of IFRS 16 leases which came into effect on 1 October 2019 Orica's gearing is at the top end of the target gearing range of 30% to 40%.

Following the completion of the acquisition of Exsa and the associated equity capital raising this will result in Orica's gearing improving from 38.3% to 33.1%. This is very much aligned with our objective of lowering our gearing and providing us with flexibility to pursue further growth opportunities.

Looking specifically at the Exsa balance sheet, negative cash and cash equivalents of A$302 million constitutes the payment that will be made to the members of Grupo Breca. The lease entered into for the Lurin site and other lease obligations are expected to result in the recognition of a rights-of-use asset and associated lease liability under IFRS 16 of A$77 million. The purchase price of A$302 million and the lease liability of $77 million make up the movement of $379 million in net debt before accounting for the proceeds of the placement.

Looking at the timetable, the placement bookbuild will take place today, 19 February 2020, with settlements of the new shares to take place on Monday 24 February 2020 and issuance of shares under the placement to occur on Tuesday 25 February 2020. The share purchase plan will then follow and is scheduled to open on Wednesday 26 February 2020, closing at 5pm Melbourne time on Tuesday 17 March 2020.

Under the share purchase plan, each eligible Orica shareholder will have the opportunity to apply for up to A$30,000 of new shares at the lower of the placement issue price and a 2% discount to the five-day VWAP of Orica shares up to and including the closing dates of the SPP. This will be free of any brokerage, commissions and transaction costs.

With that, I will now hand you back to Alberto to conclude and open it up for questions. Thank you.

Alberto Calderon: Thanks, Chris. Before we go to questions, I would like to take a minute to sum up Orica's path over the next few years. We have a solid platform in place that will deliver superior returns supported by our disciplined approach to growth investment. Burrup will operate in the second half of this year and will be fully operational in fiscal year 2021.

We will further monetise the strong penetration of our new technology propositions. We will fully implement our single SAP system, driving efficiencies and improving the flow and sharing of information right across the Group. We will continue to drive operating efficiency with an unrelenting focus on manufacturing, reliability and SKU rationalisation. The Exsa acquisition will transform our initiating systems network and deliver significant synergies to our shareholders. Finally, we will continue to see volume growth and a strong contract renewal pipeline from fiscal year 2022.

This concludes our presentation. We are now happy to answer any questions you have.

Operator: Ladies and gentlemen, we will now begin the question and answer session. If you wish to ask a question, please press star followed by a 1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press the pound or hash key.

Your first question comes from the line of Richard Johnson from Jefferies. Please ask your question.

Richard Johnson: (Jefferies, Analyst) Thanks very much. Alberto, could you talk a little bit please or help me a bit with who the major customers are and what the contractual backdrop of the business is?

Alberto Calderon: The Group has about 40% of the underground market where we are not present and it's something similar of the open pit market. There are some customers that we are similar and others in the underground that are not there today. They have a very significant presence in Peru; cultures are similar to the ones that we would have. We've done a very extensive due diligence on everything. They also, by the way, are in Chile and have Codelco’s mines. As you know, we had issues there so that will be interesting. This is just standard contracts. Now, it should be probably just normal transition; we've done it many times.

Richard Johnson: (Jefferies, Analyst) Great. So, there's no change of control issues with any contractual arrangements they have?

Alberto Calderon: No.

Richard Johnson: (Jefferies, Analyst) Okay, perfect. Is there any detail at all you can give us around who the minorities actually are?

Alberto Calderon: Look, the minorities are - the bulk of our minorities are people close to the Breca Group who invest with them. Nobody can promise anything but we are quite confident and also the Breca Group is confident that they will take on our offer to sell. This is not a liquid stock at all. The last time it traded was in May 2019 but on that last trade this will be a significant premium. It's not a relevant number but probably for the shareholders it is.

Now, probably let me add one last thing, which is we can achieve all of the synergies and consolidate without the take, but we are pretty confident that we will reach that threshold.

Richard Johnson: (Jefferies, Analyst) Great, thank you. Is there any guidance you can give on what the timing of the ramp-up of the Lurin plant loadings will be?

Alberto Calderon: Look, we will give you much more colour in May, we have a team right now and I expect to have greater clarity in two or three months. There's things around the IS optimisation that we will have to see what is going to happen to La Portada, what is going to happen to Gyttorp and others, but I expect this to take weeks, not longer than that.

Richard Johnson: (Jefferies, Analyst) Okay. Then just to clarify that, the thinking around the building of that plant was just a pure insourcing opportunity rather than expansion?

Alberto Calderon: I'm sorry?

Richard Johnson: (Jefferies, Analyst) The plant itself, the building of the plant is just replacing volumes that the business would have otherwise sourced from elsewhere?

Alberto Calderon: Yes. They actually bought from us the things. That was the Lurin plant and they bought from other competitors, so that was their thinking. The issue, they built - as I probably have said in other places, they really built a Ferrari but it's being run like a Holden. It's because they don't have the scale that we do, so it fits - this is a typical example of a business that is worth much more with us than with them.

Richard Johnson: (Jefferies, Analyst) Got it, perfect. Thanks, Alberto. Then can I just clarify on the synergies that the full $18 million will be generated in the third year and not the fourth year? It's on a run-rate as if you'll get $18 million in the third year. Is that right?

Alberto Calderon: That is correct, and we are very confident to deliver them. They are on the conservative side. Just to put some clear high-level numbers and you will see what I mean. Just on the caps, getting to $55 million, we will deliver a third of those synergies from insourcing, from the packaged emulsion and other insourcing that today we outsource and we would insource, it's the other third. So, two-thirds of the synergies very quickly are just on those two items.

Richard Johnson: (Jefferies, Analyst) Great. So, they've made lots of them. Chris, could you give me a feel for what the D&A in the business is, please?

Christopher Davis: Yes. The depreciation is around about US$10 million per year.

Richard Johnson: (Jefferies, Analyst) Fabulous. That's it from me. Thank you very much.

Christopher Davis: Thanks.

Operator: Your next question comes from the line of Sophie Spartalis from Bank of America. Please ask your question.

Sophie Spartalis: (Bank of America, Analyst) Good morning, team. I just wanted to clarify, in terms of now your position in Latin America, can you just maybe talk through are you now 100% self-sufficient for your ammonium nitrate needs or do you still need to source third party? Can you just maybe talk about that balance, please?

Alberto Calderon: Yes. In Peru, this will help us significantly but in other places we are still short of ammonium nitrate. It will make us self-sufficient on initiating system and packaged emulsion.

Sophie Spartalis: (Bank of America, Analyst) Okay. In terms of the other Latin America, can you quantify - if you're looking at Latin America as a whole, how much as a percentage basis do you still need to source externally?

Alberto Calderon: Latin America, as you know, is the place where we have the least AN. We have zero until this transaction and the AN is relatively small; it's 200,000. We sell about 700,000 so this would be about a third - this would meet about a third of our needs and we would still be buying from Enaex and others about two-thirds of it. Clearly, for Chile and Colombia we will be buying from third parties for the AN. This, Sophie, deal is driven mainly by optimising the initiating systems network across all of Orica.

Sophie Spartalis: (Bank of America, Analyst) Okay. Then just in terms of your decline in thermal coal exposure, was this a strategy that was driven by shareholders and the whole ESG push that we're seeing today? Was this a conscious effort to reduce thermal coal exposure in the business going forward? Just more of a top strategy question.

Alberto Calderon: This is a good externality, it's not the main driver of it. I would have said that if Peru's market was all thermal coal probably we would have had a different view, but we're again happy - we have been on this journey steadily reducing that exposure. We would have been some years ago in the mid-20s or something like that. This just helps something and goes from 17% to 15%. But it's not the main driver.

The main driver - it was by pure I don't know, coincidence that they had built this fantastic place and we would have had a need of a similar plant in the very near future because the plant in La Portada has to be moved because of the land. We have to move it in 2023, and we were outsourcing a significant part of our needs. This just came to fit brilliantly with our strategic needs.

Sophie Spartalis: (Bank of America, Analyst) Then just talking around margins in Latin America, they've always been challenging given the competitive landscape over there. Given that now you are firmly positioning yourself as a go-to player, does that mean that you've got better pricing power? Can you just maybe talk through your vision for where that margin profile should go and when?

Alberto Calderon: That's a very important question, Sophie. None of the synergies are predicating on pricing, on us running better than they do, on the more abstract things. It's all around efficiencies in manufacturing. That's probably - now, the other question will be you've seen a weakening in margin, do you expect further weakening. The tale of Latin America is a tale of different countries. We were hardest hit in Chile by the loss of the Codelco contract two years ago by a non-market avenue. We were disqualified from participating in a very large tender and that hit us through what was then half of Chile.

But if you look at what has happened in Brazil and in Peru and in Colombia, we won't disclose at that granularity but those businesses all have been growing. It is a tough market but our teams on the ground have done a very good job, our new President German has done a very good job and we're actually increasing market share and the numbers, you will see it in the mid-year, the numbers are quite interesting and probably as guidance or better.

Sophie Spartalis: (Bank of America, Analyst) Okay. Then just a final question on Burrup. I understand that it's only a slight delay in a matter of weeks. Can you just maybe remind us in terms of when you see commissioning starting and then the utilisation rates in FY20 and '21?

Alberto Calderon: As I said, I was there last week after the storm, the cyclone did hit it in the middle. Just in terms of giving some colour, it took a week to prepare for the cyclone. All the scaffolding that is still there had to be pulled down, the plant to be tidied up and then it took a week for the teams to put everything back together.

So just on preparing for that and the consequence took two weeks. We expect another two or three weeks for any small part that is damaged as we commission it. So that's where we said okay, it's going to be whatever, 80% probability we should have a one-month delay. So we were going for the beginning of April. It's now for the end of April.

So that would roughly mean we have given a guidance which said that we were going to be producing around 15 thousand tonnes, so that will take us to 120 thousand tonnes or something like that. We do still expect then to be producing about 120,000 in this year and it should be able to produce all of our needs which is around 270 or 280 in 2021.

Sophie Spartalis: (Bank of America, Analyst) Okay, that's great. Thank you so much, I'll leave it there.

Alberto Calderon: Thank you, Sophie.

Operator: Your next question comes from the line of Daniel Kang from Citigroup.

Daniel Kang: (Citigroup, Analyst) Good morning everyone. Just a quick one, just on the cost of the Lurin plant and the book value, please?

Alberto Calderon: Chris will help me here but I know, basically it's the book value. Yes, so that's why you see that there is no goodwill, it's I think $2 or $3 million.

Chris Davis: Yes, the purchase consideration if you look at the pro forma, effectively covers the book value of the assets. The goodwill will be about US$3.9 million which is not material.

Daniel Kang: (Citigroup, Analyst) All right. Okay and just on the Peruvian market, Alberto, how large will you become post the acquisition? Do you expect it to change the competitive landscape there?

Alberto Calderon: We're not disclosing how large. We will be large but this is the important thing that I can tell you from our lawyers. There is not, to date, any existing legislation that would have any issue with the acquisition that we are doing. The Peruvian Congress did pass a new merger control law in 2019 but it comes into effect in the 20 August 2020.

That law looks to the future so it would - if we had closed this transaction after 20 August, then they would have come under scrutiny of this law. At this stage, we again, all of our lawyers don't expect any issue from that law that has already been approved or from any existing legislation.

They do have, obviously, the 40% upon their underground market and 42% of the open pit. We weren't in underground but we were in open pit.

Daniel Kang: (Citigroup, Analyst) Okay. So okay, just to confirm, not expecting any regulatory issues here?

Alberto Calderon: No.

Daniel Kang: (Citigroup, Analyst) Okay and then from a broader M&A perspective, would the Latin region be the key focus, or preferred region of growth focus going forward?

Alberto Calderon: No, no it's not. We are looking and have been looking for some time on GroundProbe-type technology parts that fits into our strategy so that what we call the second growth engine. When we talk about the balance sheet flexibility, it's around that.

There is nothing imminent. We are happy to stay with a strong balance sheet and not do anything more if that is the case. This was just a transaction that fit too well. I have been doing M&A for 20 years and it's difficult to find such hard synergies in a transaction but this just happened to be the case.

Daniel Kang: (Citigroup, Analyst) Just on the synergies, 18 million. You mentioned that does need clear revenue synergies. Can you talk about the potential or magnitude of this - of that potential of that revenue synergy?

Alberto Calderon: No, I won't. I can't. Please.

Daniel Kang: (Citigroup, Analyst) No, that's okay and just as an aside, you mentioned about Burrup as well. I understand there were some issues with the ammonia plant. Has Yara moved to importing ammonia as an alternative supply source at this point?

Alberto Calderon: They have. This is one of the - me being always glass half full, that's one of the possible things of this last sort of hiccup with that plant is that they have set up the systems in the future to be able to import ammonia if needed but it will not be needed in this case. All the facilities are running and they did a good job fixing the plant. But in the future, if we ever need it, we know that we will be able to import.

Daniel Kang: (Citigroup, Analyst) Great news, Alberto. Thanks very much, guys.

Alberto Calderon: Thank you, Daniel.

Operator: Once again, if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. Your next question comes from the line of David Pobucky from Macquarie. Please ask your question.

David Pobucky: (Macquarie Group, Analyst) Oh hi, most of my questions have been answered so just one from me. Are you able to provide some more broader comments on what you've seen in the gold and copper markets in Peru and South America over the past six months? Then your term outlook as well, please.

Alberto Calderon: Yes, David, look, in our experience but also at the macro, it's like the new Chile. Chile is growing slower and is having issues. The copper market is still huge but it's not growing as fast. The fastest growing market in copper and gold, the place where you see all the big companies like Newmont and Freeport and others investing, is in Peru.

They are growing much more than the 4%, that's just a forward-looking statement but they have been growing much more than that in the past. They are blessed with very significant natural endowment of copper and gold and really their stability for portfolio investment and the rules that they have, the legislative framework of the past 10 years has been really probably the best in Latin America. If you look in the last 10 years, there's 60 billion dollars of foreign-direct investment into mining in the last 10 years.

David Pobucky: (Macquarie Group, Analyst) Thank you.

Operator: There are no further questions at this time. I would now like to hand the conference back to Alberto Calderon, MD and CEO. Continue.

Albert Calderon: Okay, just thank you very much for your time today. Delphine will be happy in the future to answer any other questions that may be of help. Thank you very much for attending this call.

Delphine Cassidy: Thank you.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

End of Transcript